

Message Text

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PAGE 01 BUDAPE 03030 311121Z

46

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TAGS: ETRD, HU

SUBJECT: DEPUTY PRIME MINISTER VALYI COMMENTS ON
US HUNGARIAN TRADE PROSPECTS

1. SUMMARY. IN LEAD ARTICLE OF AUGUST ISSUE KULGAZDASAG, DPUTY PRIME MINISTER VALYI FOCUSES ON PROSPECTS FOR US-HUNGARIAN ECONOMIC RELATIONS. VALYI POINTS OUT THAT ALTHOUGH THESE RELATIONS HAVE EVEN LAGGED BEHIND US COMMERCIAL TIES WITH OTHER COMMUNIST COUNTRIES, EVENTS OF PAST TWO YEARS ARE ON VERGE OF BRINGING ABOUT MAJOR CHANGE IN THIS RELATIONSHIP. WHILE STATING THAT US CONGRESS' FAILURE TO TAKE ACTION ON MFN QUESTION OR RISE OF GENERAL PROTECTIONIST SENTIMENT IN US COULD STILL BLOCK BROADENING OF US-HUNGARIAN ECONOMIC TIES, VALYI IS REASONABLY CONFIDENT THAT THIS WILL NOT TAKE PLACE. WITH MFN VALYI PREDICTS HUNGARIAN-AMERICAN BILATERAL TRADE WILL JUMP FROM \$45 MILLION THIS YEAR TO \$140-180 MILLION IN 1977 WITH US EXPORTS CONSTITUTING LION'S SHARE OF INCREASE. END SUMMARY.

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PAGE 02 BUDAPE 03030 311121Z

2. VALYI BEGINS BY LISTING REASONS FOR LIMITED SIZE OF

US-HUNGARIAN TRADE. IN ADDITION TO RECEIVING CUSTOMARY LITANY OF US LAWS AND RESTRICTIONS WHICH HAVE INHIBITED TRADE WITH MOST COMMUNIST COUNTRIES, VALYI ALSO REMARKS THAT EVENTS OF 1956 AND THEIR AFTERMATH RESPONSIBLE FOR MAKING US-HUNGARIAN TRADE PARTICULARLY MODEST. HOWEVER, VISIT BY SECRETARY ROGERS IN JULY 1972, THE SENATE COMMERCE COMMITTEE DELEGATION THIS SPRING, AND VALYI'S OWN FEBRUARY TRIP TO US HAVE DONE MUCH TO CHANGE THIS PATTERN. HE CITES SETTLEMENT OF CLAIMS QUESTION AS MAJOR STEP FORWARD, POINTING OUT HUNGARY AGREED TO SETTLEMENT WITH UNDERSTANDING THAT USG WOULD TAKE STEPS TO END DISCRIMINATION AGAINST HUNGARY IN TRADE MATTERS. VALYI OBSERVES THAT "CERTAIN DANGERS" PRESENTLY THREATEN PROPOSALS WHICH WOULD MAKE MFN FOR HUNGARY A REALITY, BUT EXPRESSED HOPE THAT IN NOT TOO DISTANT FUTURE THIS HURDLE WILL BE OVERCOME. AS SOON AS IT IS, VALYI CONTINUES, NEGOTIATIONS ON A COMPREHENSIVE TRADE AGREEMENT WILL TAKE PLACE.

3. VALYI EXHORTS HUNGARIANS TO MAKE PREPARATIONS NOW TO FIND THOSE IMPORT AND EXPORT SECTORS WHERE SIGNIFICANT GROWTH CAN BE EXPECTED. HE ENVISIONS FURTHER EXPORT POSSIBILITIES FOR HUNGARIAN PROCESSED MEATS, WINES, PHARMACEUTICALS, CLOTHING ARTICLES, PRECISION INSTRUMENTS AND PRODUCTS OF VACUUM TECHNOLOGY WHILE EXPECTING INCREASED AMERICAN SALES TO HUNGARY OF AGRICULTURAL MACHINES, AGRICULTURAL CHEMICALS, BREEDING STOCK, ELECTRONIC EQUIPMENT, COMPUTERS, PRECISION INSTRUMENTS AND COMPLETE INDUSTRIAL PLANTS. VALYI EXPECTS BILATERAL TRADE TO DEVELOP DYNAMICALLY AFTER MFN ISSUE SETTLED FROM PROJECTED \$45 MILLION THIS YEAR TO \$140-180 MILLION IN 1977, HOWEVER, HE IS BEARISH ON HUNGARIAN EXPORT POSSIBILITIES AND SETS RETENTION OF PRESENT EXPORT/IMPORT RATION AS DESIRED GOAL OF HUNGARIAN EXPORTERS. TURNING TO COOPERATIVE ARRANGEMENTS, VALYI CITES PRESENT ARRANGEMENTS IN HUNGARY BY INTERCONTINENTAL, HILTON, COCA COLA, CORN PRODUCTION SYSTEMS, AND FOOD MACHINERY CORP. AS MODELS FOR FUTURE STATING THAT HUNGARY NOT INTERESTED IN IMPORTING CAPITAL.

4. COMMENT: THIS ARTICLE ESTABLISHES VALY AS MOST OUT-LIMITED OFFICIAL USE

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SPOKEN HUNGARIAN ADVOCATE OF INCREASED TRADE TIES WITH US. THE ASSUMPTION OF THIS ROLE BY VALYI, WHO QUICKLY AND STRONGLY EXPRESSED DESIRE TO PERSONALLY HOST SECRETARY DENT'S PROPOSED VISIT HERE, IS AN INDICATION OF IMPORTANCE GOH ATTACHES TO INCREASING TRADE WITH US AND PARTICULARLY EXPANDED ROLE WHICH IT HOPES US IMPORTS WILL PLAY IN INCREASING PRODUCTIVE CAPACITY OF HUNGARIAN ECONOMY. WE DETECT, HOWEVER, BOTH IN VALYI'S COMMENTS

AND THOSE OF NATIONAL BANK VP FEKETE (BUDAPEST 3006)
RISING CONCERN THAT INTERNAL PRESSURES IN US MAY BLOCK
HUNGARY'S ATTAINMENT OF MFN.
MUDD

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